Mr. Gopala Pillai:—

"The High Court ruling held it so and that ruling is in force and it cannot be changed except by the Legislature. I submit that the rate of interest fixed in the Bill is too high for the agricultural population and that therefore it has to be reduced."

Mr. Rengaswami Aiyangar:—

"May I say a few words, Sir, on the issues of principle raised by Mr. Gopala Pillai in the course of his observations? I don't wish to enter into the discussion of details of what may be regarded as the equitable maximum limit of interest on grain-loans. I should like merely to make some remarks, from the standpoint of accepted economic principles and economic practice.

To begin with, Mr. Gopala Pillai has stated that there is absolutely *no* reason why there should be *any* difference whatever between the rates of interest charged respectively for money-loans and grain-loans. May I point out that there *is* a reason for the difference, on broad grounds? The rate of interest is the return for the use of the loan, and in determining it, regard must be had to seeing that the lender is not worse off, when the loan is repaid than when it was contracted. That is, *due* provision has to be made, in the rate of interest, for any variation in the purchasing power of the capital amount. The rate of interest depends on risks of various sorts, including the risk of fluctuations in purchasing capacity. Hence, the *more* the liability to variation in this respect, the *higher* will be the rate of interest. Now, money represents *general* purchasing power, and the fluctuations in the purchasing power of money, because they depend on exchanges *in general*, will be *within narrower* limits, than variations in the purchasing power of any *single* commodity or group of commodities,—say, grain. This is why a lender of grain may be a great loser or may gain much by alterations in the price-level of grain, as compared with the lender of money, whose loss or gain in purchasing power will be of a more restricted kind. This is, I think, the ground for charging a higher interest on commodity-loans as compared with money-loans, and, in this matter, as was pointed out in the discussion, the practice is common. It is in accord with economic principle, and has to be respected.

There is the other point of usury, and the consideration due to agriculturists, raised by Mr. Gopala Pillai. We are all interested in helping the agriculturists, and the question simply is 'are we likely to benefit them by lowering the maximum rate of interest allowed on grain'? The Raiyat wants capital—in money or in grain—and the more easily he gets loans, the more is he helped. Is he likely to be assisted by the suggested reduction in the maximum interest? It is an admitted principle of Economics that, in the long run, usury laws press against the *very* class they are designed to protect. They are ineffective in protecting the borrower, as their provisions are almost invariably defied or undermined. Thus, in order to evade the law, the lender may take the whole of the stipulated interest or that part of it, which exceeds the legal maximum, *beforehand*. He may also claim the rate of interest allowed by the law, sometime later, as the Courts may not recognise the prepayment. Consequently, after some time, the operation of the usury law—of the prescription of an unusually low rate of interest as the maximum—may have the effect of stinting the supply of loans. It may even force the lender to impose on the borrower such *additional* burdens as may be considered by the lender as sufficient to safeguard him against loss or penalties in the Courts of Law. This has to be remembered when we are asked to fix any maxima of interest-rates. If we fix a *low* maximum rate, it will fail in its object. The aim of the advocates of the measure is to make capital available to cultivators in sufficient quantity and on easy terms. If capital is to be made thus available, the best way to ensure it is to see that there are no obstructions to the free play of lending and borrowing. By artificially depressing the rate of interest below the current market rate, one of two things should, I think, happen. There is the honest capitalist and the dishonest capitalist. The former may not care to break the law and will not lend to agriculturists at rates lower than what he could make by diversion of his capital to other uses; and in the result, a part of the capital available to cultivators will be withdrawn. The terms on which the remainder will be lent will, in consequence, be bound to be more severe. As regards the dishonest capitalist, no usury law will deter him from exploiting his opportunity. The borrower will only become, as the result of the law, his willing or unwilling ally and abettor. Hence, it will be, I submit, useless, to impose statutory maxima of rates of interest. And, in any event, if such maxima are to be imposed at all, it would be best to make them agree with the highest current rates. I think, therefore, it would be best to leave the Section as it now reads".

Mr Gopala Pillai's motion was put to the vote and lost.

The consideration of the Bill being over, Mr. Subba Aiyar moved that the Bill, as settled by the Council, be finally read on a future day of which notice should be given.

Seconded by Mr. Mahadeva Aiyar.

Carried.

THE PLANT PESTS BILL.

Mr. Subba Aiyar presented the report of the Select Committee on the Plant Pests Bill and moved that the report and the Bill be taken up for consideration.

Seconded by Mr. Rengaswami Aiyangar.

Carried.

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SECTION 3.

Mr. Subba Aiyar moved that the word 'parasitic' in Clause (*a*) be deleted.

Seconded by Mr. Rengaswami Aiyangar.

Carried.

SECTION 8.

Mr. Govinda Menon moved that the words 'without being liable for trespass or any injury to crops, pasture or fishery rights in so doing' in lines 6 and 7 of sub-section (1) be deleted.

Seconded by Mr. Gopala Pillai.

Mr. Subba Aiyar opposed the motion which was put to the vote and lost.

Mr. Subrahmanya Pillai moved that the words 'be borne by the owner or occupier and shall be recoverable as if they are arrears of land revenue' be deleted and that the words 'always be borne by Our Government' be substituted, and said :—

"My amendment does not require much explanation. Under Section 9 of the Bill, failure to comply with the orders of the Director of Agriculture and Fisheries or other authorised officer, is punishable. I think that this is sufficient to bring the owner to his senses. The man will fail to obey such orders only when the cost of destroying the trees is too heavy for him to bear or when he has conscientious objections to destroy the trees which he has grown with much care, cost and labour. In such cases, there is the provision for fining him. The intention of the Bill being to benefit the public, I think it is not right that the Government should insist on the owner or occupier paying the cost of the measures taken by the Government for the eradication of a disease".

Mr. Krishna Aiyangar, in seconding the amendment, spoke as follows :—

"If it is a question involving the interests of the public, then I beg to say that we do not find it applied in the case of epidemics. Whenever there breaks out an epidemic, the Government or the local agency cary out the work of disinfection to prevent its spreading over the adjoining quarters and the occupants are not called upon to defray the cost. Here, if the owner of a particular compound is called upon to cut down his trees, it is not for his benefit but in order that his neighbour may benefit and in order that Government may not eventually suffer in revenue. If the whole tract is invaded by the disease, Government also suffer. The expenditure cannot therefore be regarded as if it is one which must legitimately be borne by the occupant or owner of the place, because it is not incurred for his benefit."

Mr. Subba Aiyar:—

"With reference to this, I may say, firstly, that no objection has been taken against the provisions of Section 7, which direct the issue of notice to the owner of a compound to take the specified remedial measures for the eradication of the disease. If he obeys the notice, he has to incur the cost himself. But, if the amendment be accepted, it means that whenever a man disobeys the notice issued to him under Section 7, the Government will themselves take the remedial measures and incur the cost. This is virtually offering a premium for disobedience of notice. So, I oppose the amendment."

Mr. Subrahmanya Pillai's motion was put to the vote and lost.

Mr. Govinda Menon moved that the last sentence in sub-section (1) be deleted, and that the following be inserted in its place:—

"The cost of such measures shall be regulated by Government and shall be borne wholly or in part either by Government or by the owner or occupier, in accordance with rules framed under Section 10, sub-section (2): Provided that the cost to be borne in accordance with those rules by the owner or occupier shall be recoverable as if they are arrears of land revenue."

Seconded by Mr. Subrahmanya Pillai.

Mr. Subba Aiyar:—"I oppose the motion. Section 10, sub-section (2) Clause (*d*), provides for the making of rules with reference to compensation."

Mr. Govinda Menon's amendment was put to the vote and lost.

SECTION 9.

Mr. Govinda Menon moved that the provisions of Section 9 be suitably modified so as to empower the Magistrates to pardon first offenders and to allow the Magistrates ample discretion in the matter of imposing fines.

Seconded by Mr. Gopala Pillai.

Mr. Subba Aiyar said that the offences under the Bill did not involve moral turpitude.

After some discussion, the Council resolved to reduce the fines provided for in the Section by substituting 'twentyfive' for 'one hundred' in line 5, and 'one hundred' for 'five hundred' in line 6.

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SECTION 10.

Mr. Subba Aiyar moved that the words 'one hundred rupees' in line 2 of Clause (5) be altered into 'twenty-five rupees,' in consequence of the amendment made in Section 9.

Seconded by Mr. Chacko.

Carried.

Mr. Subba Aiyar then moved that the Bill, as settled by the Council, be read again, on a future day of which notice should be given.

Seconded by Mr. Raman Pillai.

Carried.

THE CATTLE TRESPASS REGULATION AMENDMENT BILL.

Mr. Subba Aiyar moved that the Cattle Trespass Regulation Amendment Bill be finally read and passed.

Seconded by Mr. Rengaswami Aiyangar.

Carried.

The Council adjourned at 5-45 P. M.

M. KRISHNAN NAIR
President.

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